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| **MR1100 – Marketing 1**  **Chapter 7: International Marketing** | |
|  | **Learning Objectives:** |
|  | *Upon completion of this unit the learner should be able to:*   1. Discuss the importance of international marketing 2. Review the implications of international marketing 3. Examine the different techniques required to market internationally |
|  | **Overview of this Unit** |
|  | With the onslaught of technology, global markets are much easier to reach.  With more organizations, both Canadian and others, trying to market and sell to each other, world trade is now quite common.  However, it does present its difficulties.  This unit looks at International marketing, its impacts and its implications. |

MR1100 Marketing I (Winter 2010) - Unit 7.  International Marketing -    What is International Marketing?

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| **What is International Marketing?** |
| ***International Marketing*** is the marketing across international boundaries.   * e.g. when FPI sells shrimp in Japan or Germany - that is an aspect of international marketing * e.g. Bombardier sets up a company in Europe to market snowmobiles or high speed trains - that, too, is an aspect of international marketing.     ***Why Go International?***  Reasons for going international:   * exploit a business opportunity - profits * increased growth potential - extend product life * economic environment may be better abroad * less competition * less taxes * less regulations * lower salaries abroad * spread fixed expenses * increased economies of scale and scope * to sell inventory that will not sell at home   ***Difficulties of International Marketing***   * Often a time & money consuming effort * Differences in languages, culture and values * Hard to get executives abroad * Local ways of doing business may be different than at home * Political, Social and Economic uncertainty * Different (poor) infrastructure   ***Why is International Marketing so Important to Canadians?***   * Canada exports 25-30% of its total Gross Domestic Product (GDP is the value of all goods and services produced in Canada) * Our largest trading partner is the USA * Emergence of the first Free Trade Agreement (FTA) and then the North American Free Trade Agreement (NAFTA) * Opening up of Eastern Europe * Opening up of China * Multi-national Corporations (MNC's) |

MR1100 Marketing I (Winter 2010) - Unit 7.  International Marketing -    Two Approaches to International Marketing

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| **Two Approaches to International Marketing** |
| |  |  | | --- | --- | | ***Global Approach*** | * Assumes that the need for and the use of the product is universal * The same basic product and ads are used everywhere | | ***Customized Approach*** | * Assumes that the need for and the use of the product is dependent on where it is being sold * The product and the ads for the product are tailored for the market | |

MR1100 Marketing I (Winter 2010) - Unit 7.  International Marketing -    Key Factors to Assess in the Host Country

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| **Key Factors to Assess in the Host Country** |
| ***Key Factors to Asses in the Host Country Prior to Going International***   |  |  | | --- | --- | |  | ***Political Conditions***   * Stability of the government * The existence of trade barriers * The potential of expropriation * Trade/tax incentives that may be offered * Is the host a part of a multinational trade group such as NAFTA or EC? | |  | ***Economic Conditions***   * What stage of economic development is the host country in? * How much infrastructure exists and what is its condition? * What is the consumer income? - high or low * Is there a stable currency rate? | |  | ***Cultural Conditions***   * Do you and your company understand the cultural conditions in the host country? * You cannot respect them if you do not know them * Be aware of the lessons learned by companies operating abroad * Cross-cultural analysis can help * Look at the values, customs and cultural symbols of the country * Be careful of language when naming your product, e.g. Chevrolet Nova didn't work in Spain because "nova" means don't go. * Watch out for cultural ethnocentricity which means that people view their own values, beliefs, customs and language as superior to others. | |

MR1100 Marketing I (Winter 2010) - Unit 7.  International Marketing -    Alternative Approaches to Going International

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| **Alternative Approaches to Going International** |
| |  |  | | --- | --- | | ***Exporting*** | Producing goods in one country and selling in another - lowest risk, lowest involvement | | ***Licensing*** | Companies offer the right to a trademark, patent, trade secret, etc in return for a royalty fee - still low involvement but more risk | | ***Joint Venture*** | Multinational joins with a local company in the host country - higher involvement and risk. | | ***Direct Ownership*** | Organization invests in and owns company in foreign country - most involvement, most risk and most potential reward. | |

MR1100 Marketing I (Winter 2010) - Unit 7.  International Marketing -    Basis for Selecting a Host Country

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| **Basis for Selecting a Host Country** |
| ***Steps***   * Specify the marketing objectives * Narrow down a list of potential host countries that could meet the objective * Select a few potential host countries that best meet the objectives * Pick the one or several that offer the best return and lowest risk  |  |  | | --- | --- | |  | For an interesting read on doing business in China, check out the article below:  <http://www.cmomagazine.com/read/010106/sr_what_you_know.html> | |

MR1100 Marketing I (Winter 2010) - Unit 7.  International Marketing -    Basis for Establishing a Marketing Organization

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| **Basis for Establishing a Marketing Organization** |
| Within your company, you may choose to manage international operations in a number of ways:   * A simple export department * Establish a Foreign subsidiary * Set up an international division * Establish a world-wide products division      |  |  | | --- | --- | |  | ***Global Strategic Marketing*** explores global strategy and competitive advantage.  <http://www.quickmba.com/strategy/global/> | |

MR1100 Marketing I (Winter 2010) - Unit 7.  International Marketing -    Key Terminology

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| **Key Terminology** |
| ***Selling Products***   |  |  | | --- | --- | | ***Extension*** | Sell the same product in other countries (e.g. Ford Escort is the same basic car the world over) | | ***Adaptation*** | Modify a product to meet the needs of the host country (e.g. Honda markets a different version of the Accord in Japan and Europe than in North America (it's bigger)) | | ***Invention*** | Sell a new product in the host country (the battery-less (hand-crank) radio in Africa) |   ***Pricing***   |  |  | | --- | --- | | ***Dumping*** | Selling a product in a host country below its domestic cost. | | ***Counter-trade*** | A form of barter | | ***Bribery*** | Giving something in exchange for a promise of a deal.  Common in underdeveloped countries but ethically wrong. |     ***Place***   |  |  | | --- | --- | | ***Distribution Channels*** | Different in different countries.  Can be quite complex in places like China. |     ***Promotion***   |  |  | | --- | --- | | ***Local markets*** | Be sensitive to local markets and culture | |

MR1100 Marketing I (Winter 2010) - Unit 7.  International Marketing -    Why Some Companies Are Successful Globally

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| **Why Some Companies Are Successful Globally** |
| ***Porter's Key Elements of Global Competitive Advantage***   |  |  | | --- | --- | | ***Factor Conditions*** | A nation's ability to use natural resources, education and infrastructure to its advantage. e.g. Holland's exports of cut flowers | | ***Demand Conditions*** | Sophisticated consumer can influence product quality e.g. Japan's electronics | | ***Related & Supporting Industries*** | World-class suppliers are needed to assist global companies in creating products suitable for world-wide markets. e.g. German engineering | | ***Company Strategy, Structure & Rivalry*** | Intense domestic competition and the makeup of an industry can lead to global leadership. e.g. Italian Shoes |  |  |  | | --- | --- | |  | To read more about *Porter's "Diamond" of National Advantage*, check out this site:  <http://www.quickmba.com/strategy/global/diamond/> | |

MR1100 Marketing I (Winter 2010) - Unit 7.  International Marketing -    Trends Affecting World Trade

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| **Trends Affecting World Trade** |
| |  |  | | --- | --- | | ***Decline of Economic Protectionism*** | ***Protectionism*** is the use of tariffs or quotas to protect a particular sector of a country from foreign competition. Quotas and Tariffs have declined because of the *General Agreement on Tariffs and Trade (GATT)*. *The World Trade Organization* addresses a wide range of world trade issues. | | ***Rise of Economic Integration*** | Countries have banded together to form economic unions such as *the European Union, North American Free Trade Agreement, Asia-Pacific Economic Cooperation (APEC)* and other free trade agreements | | ***Global Competition Among Global Companies for Global Consumers*** | *Global competition* broadens the competitive landscape. *Global consumers* are those that seek similar features and benefits from an organization's products.There are 3 types of *Global companies :*   * *International firms* - market and sell in other countries as an extension of the marketing strategy in their home country. * *Multinational firms* - organizations that treats each market separately.  They have different product variations, brand names and advertising programs for different countries and different parts of different countries. * *Transnational firms* - these organizations see the world as one market and look at the cultural similarities across countries and products. | | ***Emergence of a Networked Global Marketplace*** | The Internet and technology has expanded the marketplace and has enabled the sales of goods and services anytime, anywhere and to anyone. | |

MR1100 Marketing I (Winter 2010) - Unit 7.  International Marketing -    Discussion Posting #4

MR1100 Marketing I (Winter 2010) - Unit 7.  International Marketing -    Unit 7 Study Questions

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| **Unit 7 - Ch 7 Study Questions** |
| MARKETING CONCEPTS AND PRINCIPLES   1. What is meant by this statement: "Quotas are a hidden tax on consumers, whereas tariffs are a more obvious one."  [***Answer***](https://d2l.cna.nl.ca/content/W10/MR1100_W10/unit7/unit7_answers/unit7_ch7q1_answer.html) 2. Is the trade feedback effect described in the text a long-run or short-run view on world trade flows?  Explain your answer.  [***Answer***](https://d2l.cna.nl.ca/content/W10/MR1100_W10/unit7/unit7_answers/unit7_ch7q2_answer.html) 3. Since English is the official language in Australia, some Canadian global companies might select it as an easy market to enter. Others believe that this similarity in language could make it harder to successfully enter that market. Who’s right? Why?  [***Answer***](https://d2l.cna.nl.ca/content/W10/MR1100_W10/unit7/unit7_answers/unit7_ch7q3_answer.html) 4. How successful would a television commercial in Japan be if it featured a husband surprising his wife in her dressing area on Valentine's Day with a small box of chocolates containing four candies?  Why?  [***Answer***](https://d2l.cna.nl.ca/content/W10/MR1100_W10/unit7/unit7_answers/unit7_ch7q4_answer.html) 5. As a novice in global marketing, which alternative for global market-entry strategy would you be likely to start with? Why? What other alternatives do you have for a global market entry?  [***Answer***](https://d2l.cna.nl.ca/content/W10/MR1100_W10/unit7/unit7_answers/unit7_ch7q5_answer.html) 6. Coca-Cola is sold worldwide. In some countries, Coca-Cola owns the bottling facilities; in others, it has signed contracts with licensees or relies on joint ventures. When selecting a licensee in each country, what factors should Coca-Cola consider?   [***Answer***](https://d2l.cna.nl.ca/content/W10/MR1100_W10/unit7/unit7_answers/unit7_ch7q6_answer.html) 7. Now that China has taken back control of Hong Kong, what advice would you give Canadian companies currently doing, or planning to do business in Hong Kong?  [***Answer***](https://d2l.cna.nl.ca/content/W10/MR1100_W10/unit7/unit7_answers/unit7_ch7q7_answer.html) |